

Honolulu, Hawaii

MAR 04 2011

RE: S.B. No. 1107
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1107 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to exempt from general excise tax amounts received by a common paymaster to pay the remuneration for related persons to the common paymaster.

Your Committee received testimony in support of this measure from Joseph P. Nicolai, President, JN Group, Inc; Dick Isoo Oshima, CPA, Oshima Company CPA; Arvid Tadao Youngquist, Chair and Editor, The Mestizo Association; and twenty-four concerned individuals. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that, due to the high cost of doing business in the State, including the high cost of insurance and the cost of administering and handling payroll, it is not uncommon for companies with multiple related entities to process all employees under one common paymaster.

Your Committee has amended this measure by:

- (1) Exempting from general excise tax amounts received by a related or indirectly related management entity, including salaries, wages and taxes, sick and vacation



pay, and pensions and insurance for employees of the related management company;

- (2) Adding language to preserve this exemption from repeal when section 237-24.7, HRS, is reenacted on December 31, 2014;
- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the issue; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1107, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1107, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



DAVID Y. IGE, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 1107	Committee Referral: WAM	Date: 3-1-11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	/			
KIDANI, Michelle N. (VC)	/			
CHUN OAKLAND, Suzanne	/			
DELA CRUZ, Donovan M.	/			
ENGLISH, J. Kalani	/			
ESPERO, Will	/			
FUKUNAGA, Carol	/			
KIM, Donna Mercado		/		
KAHELE, Gilbert	/			
KOUCHI, Ronald D.	/			
RYAN, Pohai	/			
TOKUDA, Jill N.	/			
WAKAI, Glenn	/			
SLOM, Sam	/			
TOTAL	13	1	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:right; font-family: cursive; font-size: 1.2em;">Michelle N. Kidani</div>				
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*Only one measure per Record of Votes